MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BFN2224 – FINANCIAL MARKETS AND INSTITUTIONS

(All sections / Groups)

14TH MARCH 2020
9.00 a.m. - 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE (3)** printed pages (including cover page) with **FOUR (4)** questions.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please print all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

a) Financial market is a marketplace where creation and trading of financial assets (securities) such as stocks and bonds take place. Discuss THREE (3) function of financial market.

(9 marks)

b) Critically discuss how asymmetric information in financial markets may expose the investors to adverse selection and moral hazard problems.

(11 marks)

c) Calculate the yield to maturity for a corporate bond issued by Saga with the price of RM920, where the bond has a maturity of 10 years, a face value of RM1,000, and the annual interest payment is RM100. Assume that interest payments are made annually at the end of each year. What is the future value of the corporate bond?

(5 marks)

QUESTION 2 (25 MARKS)

a) A Central Bank is an integral part of the financial and economic system. They are usually owned by the government and given certain roles to fulfil. As a Malaysian central bank, describes the main FIVE (5) roles of Bank Negara Malaysia (BNM) in ensuring the economic development of the nation.

(15 marks)

b) Nowadays, a number of investment avenues are available for investors. New investors often suffer a dilemma, that whether they should invest in mutual funds or go for individual stocks. Explain FOUR (4) differences between these two investment vehicles.

(10 marks)

QUESTION 3 (25 MARKS)

a) Supply and demand curve are the basic determinants of prices for bonds and other financial assets. Identify and describe three factors that cause the supply curve for the bonds to change.

(12 marks)

b) Explain the term structure of interest rates and its primary shapes.

(13 marks)

Continued...

QUESTION 4 (25 MARKS)

a) What are the THREE (3) main action triggering the global financial crisis of 2007 – 2009? Describe the situation where banks were reluctant to lend to the public and caused further deterioration the economy.

(15 marks)

b) Discuss the TWO (2) challenges facing the banking industry in the era of 4.0.

(10 marks)

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